



Budget Summary



The City of West Des Moines utilizes the following guidelines in developing its annual budget. These guidelines represent a number of practices utilized over the last fourteen years that have helped the City maintain its financial stability, while not jeopardizing the high level of service provided to citizens of West Des Moines.

Property Tax Rate & Other Revenues

The City's property tax rate should be comparable to cities of similar size and should provide enough revenue to pay for all City services deemed necessary by the City Council. The City will also attempt to maintain a diversified and stable revenue system that will serve as a shelter from fluctuations in any one revenue source. In addition, fees and other service charges are reviewed annually to ensure their rate keeps pace with the cost of providing the service.

General Fund Reserves

The General Fund ending balance goal should be set at a level at or above 25% of annual operating expenditures.

Debt Management

The City has established three benchmarks in regard to the issuance of debt. First, the City would like to limit the amount of general obligation debt issued to one-half of the constitutionally allowed limit. Secondly, the City would like bonded debt per capita not to exceed \$1,000. Finally, the City has stated that a non-voted debt issuance itself should not necessitate an increase in the property tax rate. All of the above benchmarks have met the test of time and have been reviewed, and endorsed, by Moody's Investors Service and Standard & Poor's, each of whom has given the City AAA ratings, the highest rating issued by those agencies.

Capital Improvement Program

Each year the City will assemble a Citizens Advisory Committee on Capital Planning, if needed. The purpose of this committee will be to develop a multi-year plan for capital improvements. To adequately finance the plan, the City will use a number of sources including fee revenue, general fund operating funds, general obligation bonds, grants, road use tax and tax increment financing. If the committee is not convened due to funding constraints, staff and council will consult and plan an appropriated capital program which meets critical needs of the city as efficiently as possible.

Capital Equipment Reserve Fund

The City will maintain a capital equipment reserve fund that will provide for the timely replacement of vehicles and heavy equipment that are no longer cost effective to maintain.

Technology Equipment Reserve Fund

The City will maintain a technology equipment reserve fund that will provide for the timely replacement of computer and network equipment that are no longer cost effective to maintain.

Utility Rates

The City will adopt utility rates that generate adequate revenues to cover operating expenses, meet the legal requirements of bond covenants, and allow for the timely replacement/upgrading of capital equipment and facilities.

The FY 2017-2018 Operating and Capital Budgets were drafted under guidelines listed on the previous page. Below are significant short-term assumptions and policies utilized in developing the FY 2017-2018 Budgets:

Revenue Assumptions

- The proposed budget maintains the current City property tax rate to \$12.00 per thousand of taxable valuation.
- The City of West Des Moines will receive approximately \$7.5 million dollars in Road Use Tax Funds. Approximately \$6.50 million in Road Use Tax funds are being utilized for street related expenditures (CIP and operating). The remaining funds will be used for street lighting and repayment of debt related to Iowa Highway 5 construction.
- Continuing with the City's preference to be proactive on enterprise fund revenues rather than reactive, the City Council in 2010 approved actions indexing both sanitary sewer capital charges as well as sanitary connection fee district per acre charges.

Expenditure & Fund Balance Assumptions

- Eight new employee positions and changes to one existing positions are being recommended in the budget. The Fire Department will add two firefighters and promote one firefighters to lieutenant within the Fire Prevention division. Public Services will add two operations specialists to the sanitary sewer division. Engineering Services will add a facilities planner who will be responsible for planning and managing projects related to all City facilities. Human Resources will add a human resources administrator. Information Technology Services will be adding an administrative secretary. The Legal Department will add an administrative secretary.
- Employee compensation calculations will follow past practice or expected results of negotiations for bargaining unit contracts covering approximately 255.75 union employees. There are also approximately 173.5 full time employees not covered under union contracts. New full time employees continue to be enrolled in the City's health plans added in July 2010, if allowed by union contract, and pension benefits are under the purview of the State of Iowa.
- Bargaining unit employees are expected to received cost-of-living adjustments ranging from 2.50% to 2.75% in agreement with the terms of their respective contracts. Note that the Library Teamster and the Public Services IUOE bargaining units are currently in negotiations for a multi-year contract. In addition to cost-of-living adjustments, bargaining unit employees are eligible to receive "step" increases, if they are not at the maximum of their pay scale, with the number of steps being dependent upon the bargaining agreement.
- Non-union employees who have not yet reached their maximum pay level may be eligible to receive an increase based solely upon job performance.
- The proposed budget reflects a decrease in the contribution rate for the Municipal Fire and Police Retirement System of Iowa (MFPRSI). The City's contribution rate of covered wages for FY 2017-2018 will be 25.68% as compared to 25.92% for FY 2016-2017. The decreased rate amounts to a reduction of \$23,406 in annual pension costs. The proposed budget also reflects no change in the contribution rate for Iowa Public Employees Retirement System (IPERS). The City's contribution rate will remain at 8.93% in FY 2017-2018. Of the City's 429.5 full time equivalent employees, 131 employees participate in the Municipal Fire and Police Retirement System of Iowa plan, 2 employees, City Manager and Chief of Police, have opted out of retirement plans, instead receiving deferred compensation packages, and the remaining 296.5 employees are enrolled in Iowa Public Employees Retirement System plan.

- The proposed budget reflects the carryover of cash to ensure the FY 2017-2018 budget maintains prudent general fund balances which protect the City of West Des Moines' financial integrity. The General Fund total revenues are \$68,574,750 and total expenditures are \$71,588,085. The projected General Fund composite balance on June 30, 2018, will be slightly over 37.37% (expected balance of \$23,600,742) of annual operating expenditures, which is sufficient for meeting unexpected shortfalls in revenues or demands on future fund resources. The Council has consistently stated its desire to maintain a year ending cash reserve balance over 25%.

Distribution of Property Tax Dollars for a \$1,000,000 West Des Moines Commercial Property



Polk County - WDM Schools	
School	\$13.27
County	7.31
Regional Transit Authority	0.78
Other	3.81
City	12.00
FY 16-17 Levy	\$37.17

Dallas County - Waukee Schools	
School	\$17.65
County	3.99
Regional Transit Authority	0.78
Other	1.66
City	12.00
FY 16-17 Levy	\$36.08

	Actual FY 2015-16	Actual FY 2016-17	Budget FY 2017-18
Property Tax Calculation			
Assessed Valuation	\$1,000,000	\$1,000,000	\$1,000,000
Rollback Percentage	90.00%	90.00%	90.00%
Taxable Value	\$900,000	\$900,000	\$900,000
City Tax Rate per \$1,000	\$12.00	\$12.00	\$12.00
Total City Property Tax	\$10,800	\$10,800	\$10,800

Distribution of Property Tax Dollars for a \$200,000 West Des Moines Residence



Polk County - WDM Schools	
School	\$13.27
County	7.31
Regional Transit Authority	0.78
Other	3.81
City	12.00
FY 16-17 Levy	\$37.12

Dallas County - Waukee Schools	
School	\$17.65
County	3.99
Regional Transit Authority	0.78
Other	1.66
City	12.00
FY 16-17 Levy	\$36.08

	Actual FY 2015-16	Actual FY 2016-17	Budget FY 2017-18
Property Tax Calculation			
Assessed Valuation	\$200,000	\$200,000	\$200,000
Rollback Percentage	55.73%	55.63%	56.94%
Taxable Value	\$111,460	\$111,260	\$113,880
City Tax Rate per \$1,000	\$12.00	\$12.00	\$12.00
Gross City Tax	\$1,338	\$1,335	\$1,366
Less City Share of Home- stead Tax Credit	(\$58)	(\$58)	(\$58)
Total City Property Tax	\$1,280	\$1,277	\$1,308

BUDGET SUMMARY

FY 2017-18 BUDGET BY FUND

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2017-18 Budget
REVENUES						
Operating Revenues						
Property Taxes	\$37,771,463	\$6,740,330	\$9,585,103			\$54,096,896
TIF Revenues		13,498,069				13,498,069
Other City Taxes	4,720,981	79,275	101,547			4,901,803
Licenses and Permits	1,806,671					1,806,671
Use of Money and Property	321,500	500			256,000	578,000
Intergovernmental	7,326,461	12,242,880	451,267	3,546,900	13,000	23,580,508
Charges for Services	5,407,600	30,000			14,493,450	19,931,050
Special Assessments				150,000		150,000
Miscellaneous	992,096	245,100		2,104,000	9,703,300	13,044,496
Sub-total Operating Revenues	\$58,346,772	\$32,836,154	\$10,137,917	\$5,800,900	\$24,465,750	\$131,587,493
Other Financing Sources						
Proceeds of Long Term Debt				\$101,232,100		\$101,232,100
Proceeds of Capital Assets Sales	10,000					10,000
Transfers In	10,217,978	772,535	11,327,917	108,451,161	13,004,000	143,773,591
Sub-total Other Financing Sources	\$10,227,978	\$772,535	\$11,327,917	\$209,683,261	\$13,004,000	\$245,015,691
TOTAL REVENUES & OTHER SOURCES	\$68,574,750	\$33,608,689	\$21,465,834	\$215,484,161	\$37,469,750	\$376,603,184
EXPENDITURES						
Operating Expenditures						
Personal Services	\$42,979,397	\$2,606,372			\$1,518,868	\$47,104,637
Supplies and Services	16,898,571	6,656,571	10,000		17,290,250	40,855,392
Universal Commodities	1,948,810				232,190	2,181,000
Non-Recurring/Non-Capital						
Capital	1,143,947	384,100			5,852,913	7,380,960
Sub-total Operating Expenditures	\$62,970,725	\$9,647,043	\$10,000		\$24,894,221	\$97,521,989
Lease/Purchase or Installment Contract Expenditures		\$301,640				\$301,640
Total Operating Expenditures	\$62,970,725	\$9,948,683	\$10,000		\$24,894,221	\$97,823,629
Debt Service Expenditures			\$21,455,835			\$21,455,835
Capital Improvement Expenditures				\$116,116,061	\$12,804,000	\$128,920,061
Total Expenditures	\$62,970,725	\$9,948,683	\$21,465,835	\$116,116,061	\$37,698,221	\$248,199,525
Transfers Out	\$8,617,360	\$28,336,131		\$99,502,100	\$7,318,000	\$143,773,591
TOTAL EXPENDITURES/TRANSFERS OUT	\$71,588,085	\$38,284,814	\$21,465,835	\$215,618,161	\$45,016,221	\$391,973,116
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$3,013,335)	(\$4,676,125)	(\$1)	(\$134,000)	(\$7,546,471)	(\$15,369,932)
BEGINNING FUND BALANCE	\$26,614,088	\$20,828,177	\$1,718,251	\$3,260,137	\$141,935,084	\$194,355,737
ENDING FUND BALANCE	\$23,600,753	\$16,152,052	\$1,718,250	\$3,126,137	\$134,388,613	\$178,985,805
FUND BALANCE% OF EXPENDITURES	37.48%	162.35%	8.00%	2.69%	356.49%	72.11%



BUDGET SUMMARY

FY 2017-18 BUDGET ALL FUNDS

Revenues & Expenditures by Category

	ACTUAL FY 2014-15	ACTUAL FY 2015-16	REVISED BUDGET FY 2016-17	BUDGET FY 2017-18	INC(DEC) FY 2017-18 OVER FY 2016-17	% INC (DEC)
REVENUES						
Operating Revenues						
Property Taxes	\$48,429,027	\$48,654,032	\$52,096,862	\$54,096,896	\$2,000,034	3.84%
TIF Revenues	9,172,349	9,323,812	11,999,963	13,498,069	1,498,106	12.48%
Other City Taxes	4,599,649	4,803,092	4,652,139	4,901,803	249,664	5.37%
Licenses and Permits	2,326,549	4,400,512	1,429,530	1,806,671	377,141	26.38%
Use of Money and Property	1,906,445	2,308,941	396,800	578,000	181,200	45.67%
Intergovernmental	21,406,595	24,589,839	21,058,104	23,580,508	2,522,404	11.20%
Charges for Services	21,513,127	22,116,807	19,518,175	19,931,050	412,875	2.12%
Special Assessments	249,814	159,895	215,000	150,000	(65,000)	(30.23%)
Miscellaneous	8,780,850	8,195,203	11,461,750	13,044,496	1,582,746	13.81%
Sub-total Operating Revenues	\$118,384,405	\$124,552,133	\$122,828,323	\$131,587,493	\$8,759,170	7.13%
Other Financing Sources						
Proceeds of Long Term Debt	\$53,050,889	\$25,578,568	\$29,125,000	\$101,232,100	\$72,107,100	247.58%
Proceeds of Capital Assets Sales/Contributions	4,925,677	53,046	32,200	10,000	(22,200)	(68.94%)
Transfers In	56,387,417	73,992,029	84,809,142	143,773,591	\$58,964,449	69.53%
Sub-total Other Financing Sources	\$114,363,983	\$99,623,643	\$113,966,342	\$245,015,691	\$131,049,349	114.99%
TOTAL REVENUES & OTHER SOURCES	\$232,748,388	\$224,175,776	\$236,794,665	\$376,603,184	\$139,808,519	59.04%
EXPENDITURES						
Operating Expenditures						
Personal Services	\$39,112,051	\$40,939,298	\$45,547,831	\$47,104,637	\$1,556,806	3.42%
Supplies and Services	31,204,362	31,296,959	36,633,752	40,855,392	4,221,640	11.52%
Universal Commodities	3,893,347	2,376,319	1,851,225	2,181,000	329,775	17.81%
Non-Recurring/Non-Capital	1,337,243	160,597				
Capital	4,896,760	5,307,632	8,662,620	7,380,960	(1,281,660)	(14.80%)
Sub-total Operating Expenditures	\$80,443,763	\$80,080,805	\$92,695,428	\$97,521,989	\$4,826,561	5.21%
Lease/Purchase or Installment Contract Expenditures	\$179,460	\$275,360				
Total Operating Expenditures	\$80,623,223	\$80,356,165	\$92,695,428	\$97,521,989	\$4,826,561	5.21%
Debt Service Expenditures	\$19,397,331	\$22,208,229	\$22,382,418	\$21,757,475	(\$624,943)	(2.79%)
Capital Improvement Expenditures	\$31,356,555	\$53,936,680	\$86,899,507	\$128,920,061	\$42,020,554	48.36%
Total Expenditures	\$131,377,109	\$156,501,074	\$201,977,353	\$248,199,525	\$46,222,172	22.88%
Transfers Out	\$56,387,417	\$73,992,029	\$84,809,142	\$143,773,591	\$58,964,449	69.53%
TOTAL EXPENDITURES/TRANSFERS OUT	\$187,764,526	\$230,493,103	\$286,786,495	\$391,973,116	\$105,186,621	36.68%
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$44,983,862	(\$6,317,327)	(\$49,991,830)	(\$15,369,932)	\$34,621,898	n/a
BEGINNING FUND BALANCE	\$205,681,032	\$250,664,894	\$244,347,567	\$194,355,737	(\$49,991,830)	n/a
ENDING FUND BALANCE	\$250,664,894	\$244,347,567	\$194,355,737	\$178,985,805	(\$15,369,932)	n/a
FUND BALANCE % OF EXPENDITURES	190.80%	156.13%	96.23%	72.11%%		



Revenues & Expenditures by Fund

	ACTUAL FY 2014-15	ACTUAL FY 2015-16	REVISED BUDGET FY 2016-17	BUDGET FY 2017-18	INC(DEC) FY 2017-18 OVER FY 2016-17	% INC (DEC)
REVENUES						
Fund Revenues						
General Funds	\$64,705,315	\$70,246,863	\$67,648,130	\$68,574,750	\$926,620	1.37%
Special Revenue Funds	28,082,872	26,783,554	29,737,148	33,608,689	3,871,541	13.02%
Debt Service Funds	21,828,103	18,631,613	20,664,767	21,465,834	801,067	3.88%
Capital Project Funds	85,081,753	76,659,417	77,281,430	215,484,161	138,202,731	178.83%
Enterprise Funds	33,050,345	31,854,329	41,463,190	37,469,750	(3,993,440)	(9.63%)
Total Fund Revenues	\$232,748,388	\$224,175,776	\$236,794,665	\$376,603,184	\$139,808,519	59.04%
EXPENDITURES						
Fund Expenditures						
General Funds	\$63,265,650	\$65,436,725	\$72,582,184	\$71,588,085	(\$994,099)	(1.37%)
Special Revenue Funds	28,653,547	23,380,440	33,049,089	38,284,814	5,235,725	15.84%
Debt Service Funds	18,962,411	21,964,825	21,910,288	21,465,835	(444,453)	(2.03%)
Capital Project Funds	53,119,989	91,905,142	98,061,870	215,618,161	117,556,291	119.88%
Enterprise Funds	23,762,929	27,805,971	61,183,064	45,016,221	(16,166,843)	(26.42%)
Total Fund Expenditures	\$187,764,526	\$230,493,103	\$286,786,495	\$391,973,116	\$105,186,621	36.68%
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$44,983,862	(\$6,317,327)	(\$49,991,830)	(\$15,369,932)	\$34,621,898	n/a
BEGINNING FUND BALANCE	\$205,681,032	\$250,664,894	\$244,347,567	\$194,355,737	(\$49,991,830)	n/a
ENDING FUND BALANCE	\$250,664,894	\$244,347,567	\$194,355,737	\$178,985,805	(\$15,369,932)	
FUND BALANCE% OF EXPENDITURES	133.50%	106.01%	67.77%	45.66%		

Comparison of Amended Budget to Actual

	Amended Budget FY 2014-15	Actual FY 2014-15	Variance Favorable (Unfavorable)	Amended Budget FY 2015-16	Actual FY 2015-16	Variance Favorable (Unfavorable)
REVENUES						
Revenues						
Property Taxes	\$48,525,173	\$48,429,027	(\$96,146)	\$48,749,698	\$48,654,032	(\$95,666)
TIF Revenues	9,205,790	9,172,349	(33,441)	9,320,759	9,323,812	3,053
Other City Taxes	4,009,853	4,599,649	589,796	4,506,325	4,803,091	296,766
Licenses and Permits	1,990,350	2,326,549	336,199	3,138,550	4,400,512	1,261,962
Use of Money and Property	2,052,205	1,906,445	(145,760)	2,106,925	2,308,941	202,016
Intergovernmental	16,740,619	21,406,595	4,665,976	18,066,948	23,843,573	5,776,625
Charges for Services	20,482,575	21,513,127	1,030,552	20,575,300	22,116,807	1,541,507
Special Assessments	211,600	249,814	38,214	225,000	159,895	(65,105)
Miscellaneous	9,499,565	8,780,850	(718,715)	8,840,426	8,941,469	101,043
Total Revenues	\$112,717,730	\$118,384,405	\$5,666,675	\$115,529,931	\$124,552,132	\$9,022,201
EXPENDITURES						
Expenditures						
Public Safety	\$28,745,656	\$26,739,915	\$2,005,741	\$30,216,601	\$27,404,990	\$2,811,611
Public Works	8,995,797	8,199,193	796,604	9,492,980	8,536,611	956,369
Health and Social Services	1,261,378	1,105,932	155,446	1,245,911	1,152,348	93,563
Culture and Recreation	8,589,699	7,743,071	846,628	8,898,309	8,172,199	726,110
Community and Economic Development	23,591,435	21,691,199	1,900,236	8,484,893	6,821,845	1,663,048
General Government	8,059,806	6,865,765	1,194,041	8,095,222	7,572,489	522,733
Debt Service	20,520,328	19,576,791	943,537	22,242,916	22,490,839	(247,923)
Capital Outlay	37,610,715	19,115,296	18,495,419	83,709,937	54,195,617	29,514,320
Business Type	27,605,969	20,339,947	7,266,022	35,273,138	20,154,135	15,119,003
Total Expenditures	\$164,980,783	\$131,377,109	\$33,603,674	\$207,659,907	\$156,501,073	\$51,158,834
Excess (Deficiency) of Revenues Over Expenditures	(\$52,263,053)	(\$12,992,704)	\$39,270,349	(\$92,129,976)	(\$31,948,941)	\$60,181,035
Other Financing Sources, Net	\$44,238,400	\$57,976,566	\$13,738,166	\$28,999,625	25,631,614	(\$3,368,011)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(\$8,024,653)	\$44,983,862	\$53,008,515	(\$63,130,351)	(\$6,317,327)	\$56,813,024

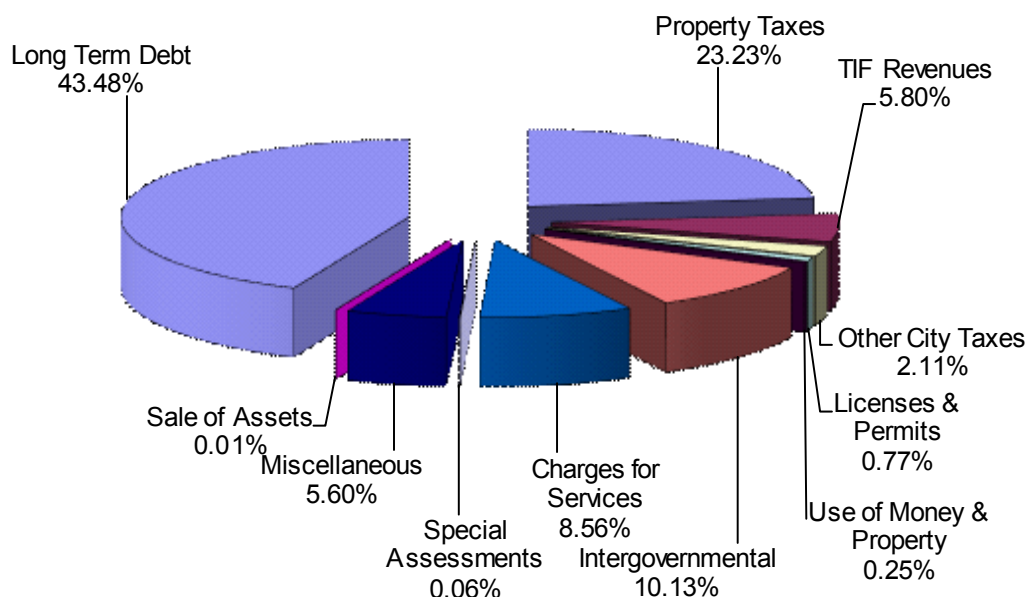
FY 2017-18 Expenditures Stated on a Program Basis

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Enterprise Funds	FY 2017-18 Budget
Expenditures and Other Financing Uses						
Public Safety	\$28,479,789	\$3,037,450				\$31,517,239
Public Works	9,758,765	820,000				10,578,765
Health and Social Services	1,055,406	157,000				1,212,406
Culture and Recreation	9,081,268	323,100				9,404,368
Community and Economic Development	5,553,395	5,309,493				10,862,888
General Government	9,042,102					9,042,102
Debt Service Funds		301,640	21,465,835			21,767,475
Capital Project Funds				116,116,061		116,116,061
Total Government Activities	\$62,970,725	\$9,948,683	\$21,465,835	\$116,116,061		\$210,501,304
Business-type/Enterprise Funds					\$37,698,221	\$37,698,221
Total Business-type/Enterprise					\$37,698,221	\$37,698,221
Total Expenditures	\$62,970,725	\$9,948,683	\$21,465,835	\$116,116,061	\$37,698,221	\$248,199,525

Revenue Highlights

The City of West Des Moines continues to build on its reputation as a growing city suburb adjacent to Des Moines, Iowa. A strong commercial base, coupled with a growing residential market, makes West Des Moines a desirable place to both live and work. In FY 2017-18 total operating revenues are projected to increase by approximately 7.13% as compared to budget FY 2016-17. Property tax revenues, which account for approximately 37.9% of the City's total operating revenues, are projected to increase by approximately 3.84%.

Where the Money Comes From



Property Taxes

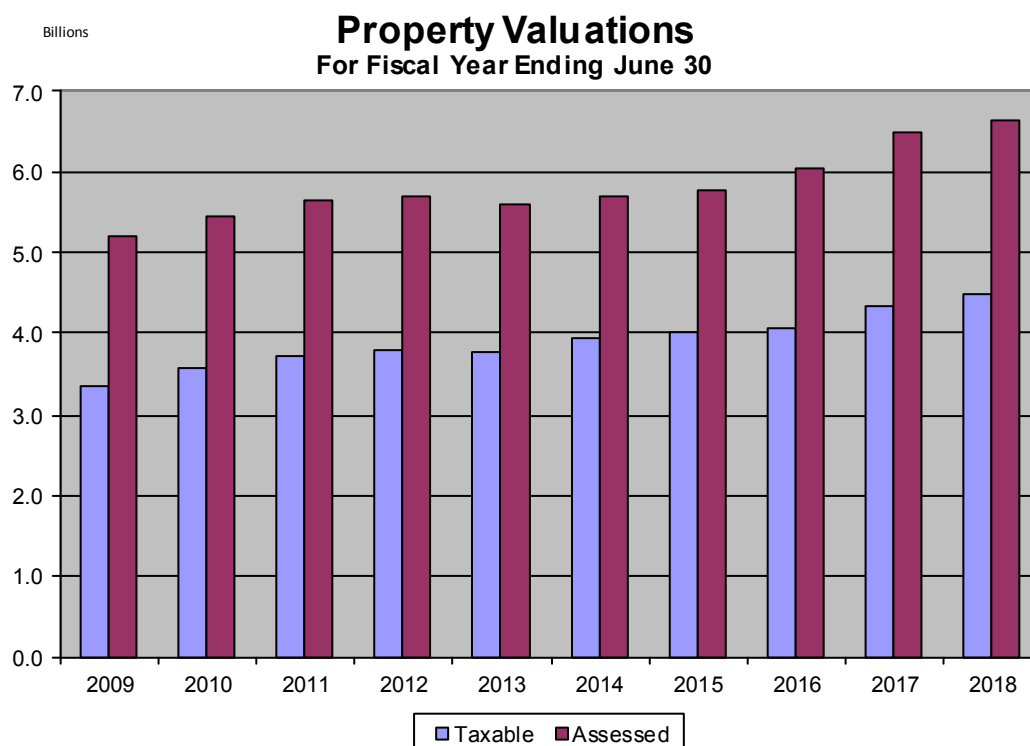
The City proposes to maintain a property tax rate of \$12.00/\$1,000 of taxable valuation. The proposed ad valorem taxes levied against real and personal property in FY 2017-18 should generate approximately \$54,096,896, which accounts for approximately 41.11% of the total operating revenue budgeted for the City. This projection is based on actual taxable valuations on January 1, 2016, as supplied by the Polk, Dallas, Warren, and Madison County Auditors. As in past years, property taxes continue to be not only the main revenue source for the City, but also one of the most stable. However, this stability is continually challenged by the erosion of the City's tax base due to state mandated rollbacks on commercial property, residential property, and multi-residential property.

Property Taxes (Continued)

Residential Rollbacks

Taxable property in Iowa is categorized into distinct classes such as residential, multi-residential, commercial, industrial, or agricultural with each category having different procedures for assessing value for taxing purposes. To reduce the opportunity for dramatic tax shifts between classes from year to year, a statutory limit of 3% a year has been imposed, (commonly called the growth limitation). For example if statewide growth in any one class of property in any year exceeds 3%, the taxable value is reduced by a percentage so that growth of taxable valuation is at the 3% ceiling. This percentage is called the "rollback." Furthermore, residential property is subject to an additional restriction in which the state-wide growth in residential property cannot exceed the growth in agricultural property. In other words, the taxable growth of residential property is either 3% or equal to the growth in agricultural property, whichever is lower. Since the growth in agricultural property has been stagnant for several years (less than 1% a year), taxable residential property valuations have been artificially suppressed. This has brought to light one of the major limitations of the rollback formula in that it does not recognize the unique valuation characteristics present in different regions of the state. Because of this fact, economic development in some communities has been stifled and in all communities a shifting of tax burdens from residential properties to other classes of property has occurred.

In spite of the budgetary constraints posed by the state rollbacks, West Des Moines, through a combination of favorable economic conditions and judicious management over the past ten years, has experienced sustained increases of three to fifteen percent per year in the City's tax base. These increases have been invaluable in defraying the effects of the rollback. While it can be clearly seen from the chart below actual property valuation in FY 2017-2018 have increased over twenty-seven percent since FY 2008-2009, the effects of the state mandated rollbacks can also be seen. Due to decline in the economy, numerous properties have received reductions from the county assessors, or in some cases county or state review board over the past few years.



Property Taxes (Continued)

In FY 2017-2018, the taxable value of residential properties will increase from 55.63% to 56.94%, the taxable value for multi-residential property will decrease from 86.25% to 82.5% and the taxable value of commercial property will remain at 90%. Multi-residential was a new property class for FY 2016-17, in prior years multi-residential property was considered commercial property. The table below is a ten-year history of the commercial, residential, and multi-residential rollbacks in Iowa. It is important to note that in just ten years the taxable percentage of residential properties has increased from 44.08% in FY 2008-2009, to 56.94% in FY 2017-2018. In other words, the City has gained the ability to generate taxes on a portion of its residential property in just ten years. West Des Moines has experienced significant increases in its property tax base over the last ten years. The City's population has increased by over 22% and the size of the city in square miles has significantly increased. As a result of the mandated rollback, it becomes a question as to whether the additional revenues from an artificially suppressed tax base are enough to meet the service level expectations of the citizens of West Des Moines.

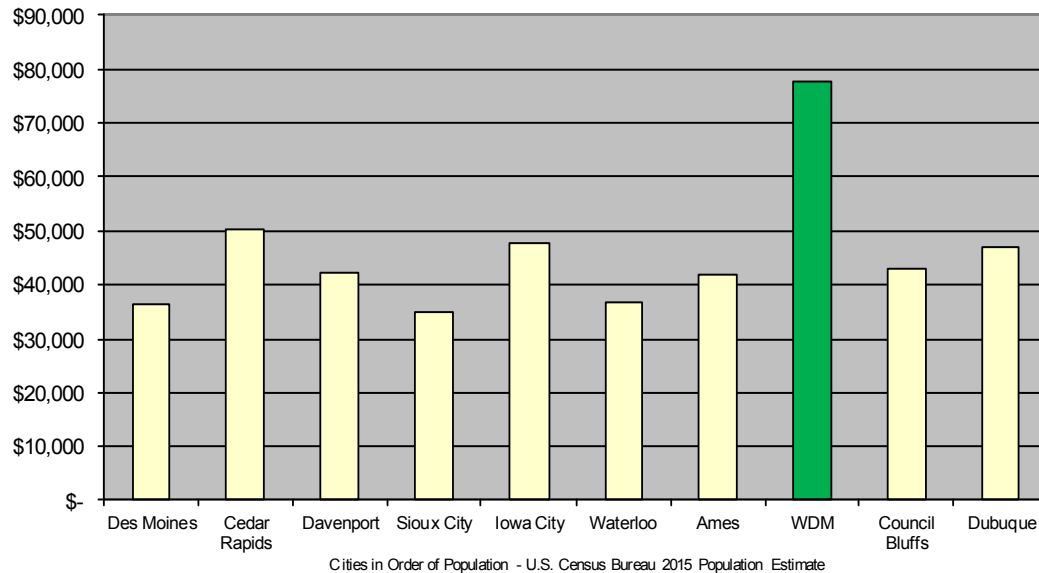
Fiscal Year	Residential	Multi-Residential	Commercial
2008-09	44.08%		99.73%
2009-10	45.59%		100.00%
2010-11	46.91%		100.00%
2011-12	48.53%		100.00%
2012-13	50.75%		100.00%
2013-14	52.82%		100.00%
2014-15	54.40%		95.00%
2015-16	55.73%		90.00%
2016-17	55.63%	86.25%	90.00%
2017-18	56.94%	82.50%	90.00%

Rollback Effect in Comparable Cities

While the rollbacks have had a significant budgetary impact on the City, they have not been as devastating as in other cities that rely heavily on the residential tax base to support City services. The precipitous decline of residential tax bases has forced most Iowa cities to increase rates just to support existing services. Approximately 84% of Iowa's cities are at the maximum levy rates for the general fund. The maximum general fund levy rate of \$8.10 has not changed since 1975. Even at maximum rates, nearly 300 Iowa cities are facing declining revenues since actual residential growth cannot make up for rollback losses. West Des Moines is fortunate in having a strong commercial tax base, and is not subject to erratic swings in property tax revenues as some communities. In fact, West Des Moines is one of the few communities in the state where Commercial/Industrial property generates more tax revenues than residential property. This is further evidenced when you compare taxable property valuations per capita of Iowa's ten largest cities. West Des Moines' taxable valuation per capita not only is the highest of any of Iowa's ten largest cities, in some cases is more than double the per capita valuation of some cities with a greater population.

Comparison of Taxable Property Valuations per capita for Iowa's Ten Largest Cities

Based on January 1, 2016 Valuations For FY 2017-2018



Long Term Forecast

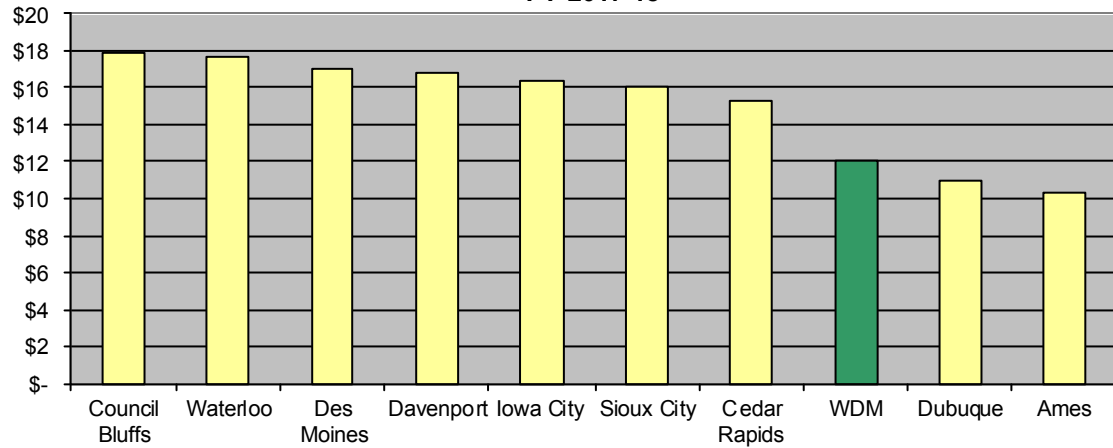
Presently the City's economic base could be classified as strong and diversified with no major employer or type of business in a dominating role. However, the City must be cautious and realize there are many factors that could directly and indirectly influence its tax base. International issues such as the consumption of oil, consumer demands for products, regional entertainment patterns, increased competition from neighboring communities, changes in federal policies, and foremost, unfunded state mandates, can restrict tax collections in any given year.

Changes in the Iowa Legislature will continue to have a dramatic effect on revenues. Particularly impactful will be the rollback program for commercial and also, due to a high concentration of apartment property in West Des Moines, the change in classification from commercial to multi-residential property will negatively impact revenues. The City has been very successful over the past 10-20 years in building adequate cash reserves and would be in a position to absorb a certain amount of change for the immediate term, but the results of a long-term structural deficit may result in increased fees/taxes or the reduction of certain services and programs.

Assumption	Fiscal Year		
	2018-19	2019-20	2020-21
Residential Rollback	55.70%	57.00%	55.70%
Multi-Residential Rollback	78.75%	75.00%	71.25%
Commercial Rollback	90.00%	90.00%	90.00%
Road Use Funding Per Capita	\$121.00	\$121.50	\$122.50

Property Tax Rates of Iowa's Ten Largest Cities

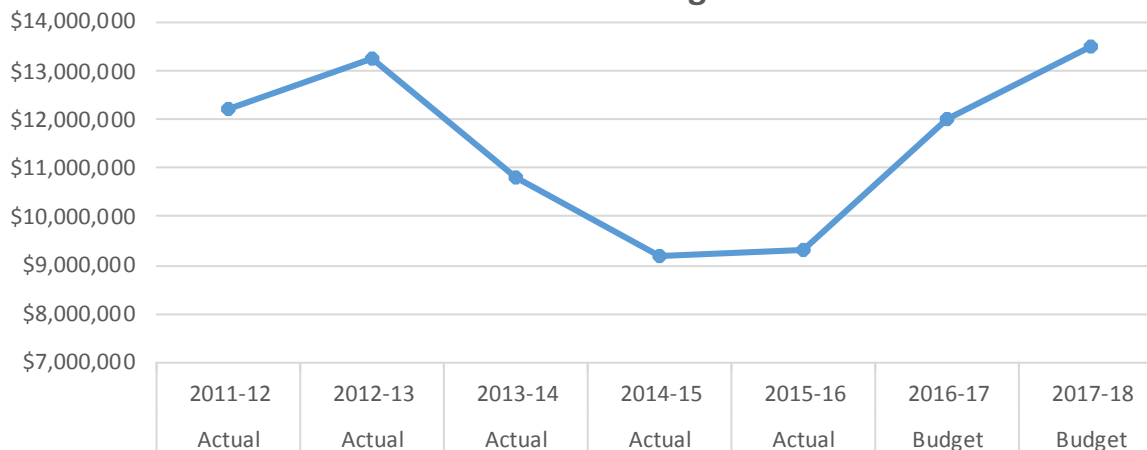
City Portion Only
FY 2017-18



Tax Increment Financing

Tax increment financing revenue is property tax levied on the incremental valuation in an urban renewal area created by the City Council for economic development purposes. These revenues finance public improvement projects or economic development incentives for companies located within the urban renewal area. By December 1st of each year the City certifies its tax increment revenue requirements with Polk and Dallas Counties. Of the total taxable increment valuation within the urban renewal areas, the percentage of tax increment valuation being released to the respective taxing bodies is approximately 58%. The increase in FY 2016-17 is primarily due to the debt requirements associated with the new Alluvion Urban Renewal Area.

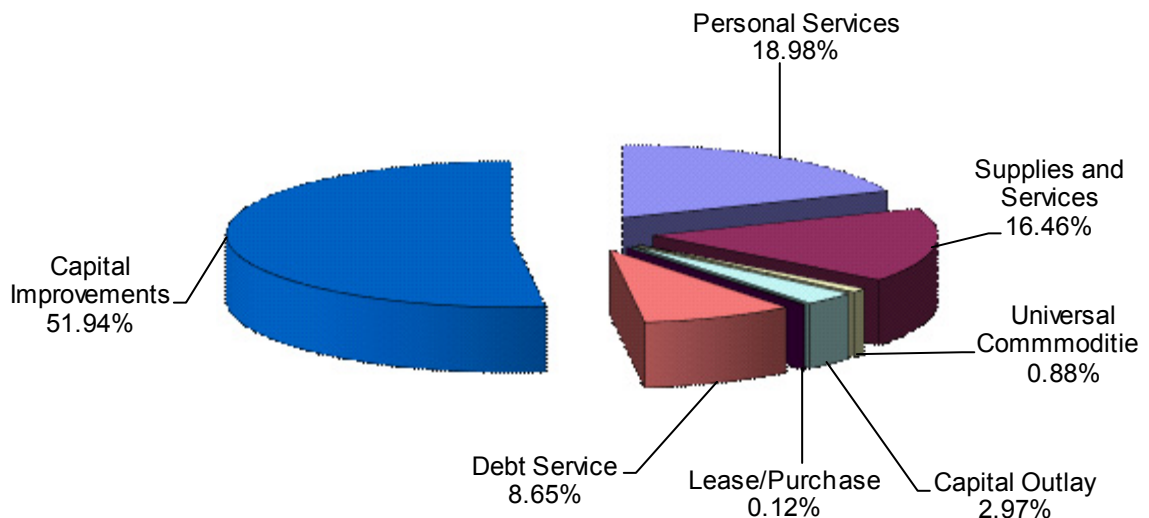
Tax Increment Financing Revenue



Expenditure Highlights

Total expenditures for FY 2017-2018 are projected to increase by 22.88% when compared to the revised budget for FY 2016-2017. The increase is due to increased supplies and services and an increase in the capital improvement program expenses. The increases in the capital improvement program are related to the infrastructure projects for the Microsoft Osmium data center. The City's operating budget denotes an increase of 5.21% in operating expenses over the revised budget of the previous year FY 2016-2017, which is primarily due increased personnel costs.

Where the Money Goes



Personnel

The City measures both full and regular part-time positions based on full-time equivalents (FTE), which is the total estimated annual person hours required to fill a position for all or a portion of a year, divided by 2,080 hours. It should be noted that, due to the seasonal nature of employment, temporary and volunteer workers are not included in this calculation. In FY 2017-2018, FTE(s) are proposed to increase by 8.00 positions bring the City's total to 429.25 full-time equivalent positions. This represents roughly a 19% increase in FTE(s) since FY 2007-2008.

City of West Des Moines Personnel by Cluster and Department

POSITIONS STATED IN FULL-TIME EQUIVALENTS (FTE)	BUDGET FY 2014-15	BUDGET FY 2015-16	BUDGET FY 2016-17	BUDGET FY 2017-18	CHANGE FROM FY 2016-17
Authorized Personnel by Department					
Community Enrichment					
Human Services	13.25	13.25	13.75	13.75	0.00
Library	25.25	25.25	26.50	26.50	0.00
Parks & Recreation	26.00	26.00	16.00	16.00	0.00
Sub-total Community Enrichment	64.50	64.50	56.25	56.25	0.00
Public Safety					
Emergency Medical Services	41.00	40.75	41.50	41.50	0.00
Fire Department	57.00	57.00	59.50	61.50	2.00
Police Department	84.00	86.50	86.00	86.00	0.00
Westcom Dispatch	23.75	26.00	28.75	28.75	0.00
WestPet-Animal Control	4.00	4.33	4.33	4.33	0.00
Sub-total Public Safety	209.75	214.58	220.08	222.08	2.00
Public Services					
Community & Economic Development	4.50	4.50	4.50	4.50	0.00
Development Services	20.00	20.50	20.50	20.50	0.00
Engineering Services	7.00	9.00	19.00	20.00	1.00
Public Works	62.00	62.00	65.00	67.00	2.00
Sub-total Public Services	93.50	96.00	109.00	112.00	3.00
Support Services					
City Manager's Office	4.00	4.00	4.00	4.00	0.00
City Clerk	1.33	1.33	1.33	1.33	0.00
Finance	9.42	9.09	9.09	9.09	0.00
Human Resources	4.50	4.50	5.50	6.50	1.00
Information Technologies Services	11.00	11.00	12.00	13.00	1.00
Legal	4.00	4.00	4.00	5.00	1.00
Sub-total Support Services	34.25	33.92	35.92	38.92	3.00
Total Authorized Personnel	402.00	409.00	421.25	429.25	8.00
Authorized Personnel by Fund					
Enterprise Funds	14.40	15.40	13.90	15.90	2.00
Special Revenue Funds	2.26	1.19	1.25	1.25	0.00
General Funds	385.34	392.41	406.10	412.10	6.00
Total Authorized Personnel	402.00	409.00	421.25	429.25	8.00

Key Assumptions for FY 2017-2018**Salary Increases**

Employee compensation will follow past practice in that the city has bargaining unit contracts for approximately 255.75 employees, while 173.5 employees are not represented by unions. New employees continue to be enrolled in the City's tiered health plans, if allowed by bargaining agreements, and pension benefits are under the purview of the State.

Bargaining unit employees will receive 2.50% to 2.75% cost-of-living adjustments in agreement with the terms of their respective contracts on July 1st. The Library and Public Services bargaining units are currently in negotiations for a multi-year contract. In addition to cost of living increases, bargaining unit employees are eligible to receive step increases if not at the maximum of the pay scale.

Non-represented employees who have not reached the maximum pay level may be eligible to receive an increase based upon job performance.

Medical Insurance Rates

Medical insurance rates are projected to increase by 10.00% from FY 2016-2017 actual rates.

Pension and Retirement Benefits

The City contribution rates for FY 2017-2018 are as follows:

- 25.68% for sworn police officers and fire personnel (MFPRSI).
- 8.93% for full and regular part-time personnel (IPERS).
- 9.84% for paid-on-call firefighters and emergency medical services personnel (IPERS).

Other Pay

This category includes the City's deferred compensation plan, longevity pay, life insurance, and other miscellaneous pay categories.

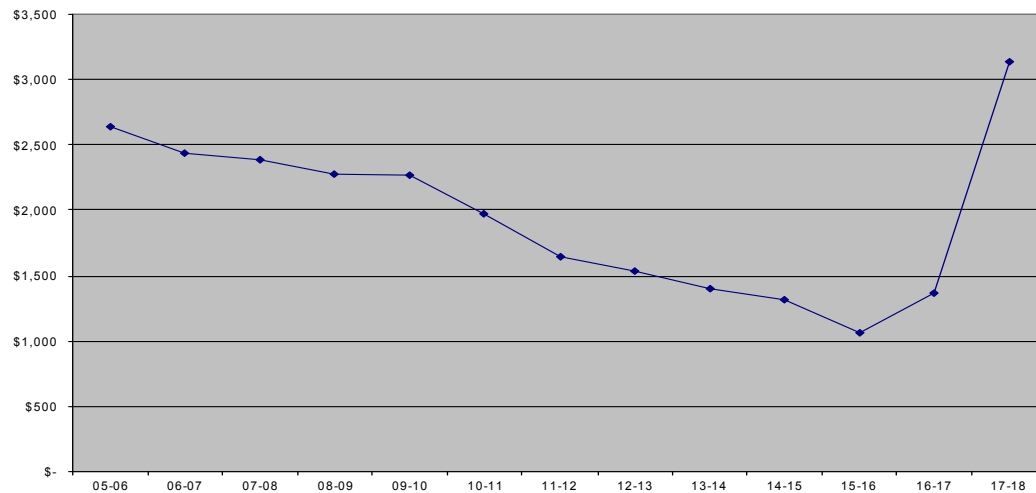
Description of Long Term Debt Obligations

The City of West Des Moines has experienced tremendous amount of growth in recent years. Since 1990, the population of West Des Moines has increased by 78.56%, and the area of the City has more than doubled, both of which created an unprecedented demand in West Des Moines for infrastructure and capital projects. As a city expands, its citizens will need more parks, roads, bridges, and public safety facilities, just to name a few examples. This demand for public sector investment has made the issuance of debt an increasingly important component in City programs. The City utilizes one basic form of long-term debt; general obligation bonds. General obligation bonds are backed by the full faith and credit (i.e. taxes) of the City.

Debt Management

The planning, development, and implementation of debt management is an important component in a local government's overall capital program. A decision to borrow money can bind a city to a stream of debt service payments that can last twenty years or more. Therefore, it is imperative that cities develop and abide by a debt management policy. The City Council agreed that debt issuance should not require the City's overall property tax rate to exceed \$12.00/\$1,000 of valuation. Before the issuance of debt, the City Council listens to the recommendation of a citizens committee which annually reviews and prioritizes the capital needs of the City. The Council then determines, as a part of the annual budget, the amount of debt to be issued. Moody's Investors Services and Standard & Poor's rating agencies have issued ratings of AAA highest issued by the agencies. These high ratings result in a more attractive bidding environment and, therefore, a more favorable interest rate for the City when bonds are sold. Sales of general obligation bonds are usually prepared on a level debt formula which means that the total amount of principal and interest due each year is roughly the same.

General Obligation Bond Debt per Capita



Long Term Debt Schedule

	Estimated Balance June 30, 2017	FY 2017-18 Additions	FY 2017-18 Reductions	Estimated Balance June 30, 2018
<u>Debt Subject to Constitutional Limitation</u>				
General Obligation Debt	\$114,130,000	\$101,232,100	\$15,975,000	\$199,387,100
RISE Loans/IDOT	1,317,115		164,639	1,152,476
Lease Purchase/Other Debt	552,267		112,950	439,317
Sub-total Debt Subject to Limitation	\$115,999,382	\$101,232,100	\$16,252,589	\$200,978,893
<u>Revenue Bonds & Capital Loan Notes</u>				
WRA Debt	\$60,588,271		\$2,071,806	\$58,516,465
Sub-total Revenue Bonds & Capital Loan Notes	\$60,588,271		\$2,071,806	\$58,516,465
Total Long-Term Debt	\$176,587,653	\$101,232,100	\$18,324,395	\$259,495,358

Municipal Debt Capacity

Article IX, Section 3 of the Iowa Constitution limits the indebtedness of any governmental entity to not more than five percent (5%) of the valuation of the property located within the jurisdiction. The restriction applies to general obligation bonds, lease purchases, certain long-term borrowing, and T.I.F. debt. With the valuation of all property in West Des Moines just under 7.2 billion dollars, the City's constitutional debt limit is \$359,449,675. The City estimates its direct debt or debt that is subject to the limitation will be \$200,978,893 at June 30, 2018. This leaves an available margin of \$158,470,782 with approximately 55.91% of the available statutory debt limit being obligated.

Actual Property Valuation	
January 1, 2016	\$7,188,993,509
Statutory Percentage	5.00%
Statutory Debt Limit	\$359,449,675
Estimated Direct Debt at June 30, 2018	
General Obligation Bonds	\$45,695,000
Tax Increment Financing Bonds	153,692,100
Rise Loans/IDOT	1,152,476
Lease Purchase/Other Debt	439,317
Total Outstanding Direct Debt	\$200,978,893
Available Debt Margin	\$158,470,782
Percentage Obligated	55.91%

